

Congress of the United States
Washington, DC 20515

September 25, 2006

Hon. Richard Pombo
Chairman
House Resources Committee
1324 Longworth Building
Washington, DC 20515

Dear Chairman Pombo,

According to news accounts, you have not yet decided whether to conduct an oversight hearing, as we requested in our letter of September 21, 2006, regarding possible corruption within the Bush Administration's Department of the Interior and the impact that unethical or illegal activities have had on the taxpayer.¹

It was reported over the weekend that you indicated that you believe that Congress has already fulfilled its oversight responsibilities and that you might, instead of holding an official hearing, decide to call the Department's Inspector General to make an inquiry. We are writing to make clear that this response is entirely inadequate and we would like to reiterate our urgent request for an oversight hearing this week before Congress adjourns.

Simply "plan[ning] to speak" on your own with the Inspector General about corruption allegations does not in any way constitute full and proper congressional oversight. A private conversation with the Inspector General, though no doubt instructive, is not sufficient to inform Congress and the public about serious ethical problems at the Department. An oversight hearing concerning ethical lapses by the Administration, such as those held by other committees but almost never by the Resources Committee under your chairmanship, would allow *all* members of the Committee to pose questions, examine evidence, and help formulate policy.

As you will recall, we asked you to address three areas of great concern to us and to our constituents:

- 1) The recent revelations that the Department of the Interior has suppressed efforts to recover millions of dollars from oil and gas companies allegedly cheating the government and the public;
- 2) The effect of the culture of corruption on the royalty program at Interior, beyond just the 1998-1999 deepwater leases "bungling"; and

¹ This position is set out in your letter, dated September 22, 2006. We note, however, that to date, we have not received this letter, but have only learned about it through the press. We would appreciate its delivery to our offices at your earliest convenience.

- 3) The concerns raised by State and Tribal auditors that Interior has been underfunding their audit programs, possibly in retaliation for their criticisms of Interior's mismanagement of the royalty program.

Your letter of September 22, 2006, did not address any of these substantive issues.

In addition, Interior's Inspector General Earl Devaney testified before the Government Reform Committee two weeks ago that "short of a crime, anything goes" at the Department of the Interior, referring to activities that include – but go well beyond – the issue of royalty collection. To our knowledge, you have had no official response to this serious allegation of unethical practices at the Department over which the Resources Committee has jurisdiction.

Accordingly, we are reiterating our request for a bi-partisan committee oversight hearing this week. We strongly urge you to act on behalf of the members of this Committee and our constituents by honoring our request so that we can protect the interests of American taxpayers and help end corrupt practices at the Department of the Interior.

Specifically, we urge you to invite Inspector General Devaney to testify to the extremely serious matter of oil royalty underpayments and possible corruption within the Department. We also believe that the Committee and the public would benefit from hearing from the former Interior auditors whose work on behalf of the taxpayers allegedly led to their termination from the Department. In addition, representatives from the State and Tribal Royalty Audit Committee could help inform the Committee as to the extent of Interior's failure to advocate on behalf of the taxpayer.

As you know, the oil and gas industry has a history of defrauding the American public through the royalty program, and Interior's track record on auditing and enforcement is poor. It is incumbent on the Resources Committee to take recent allegations of corruption seriously, and for you to act in your official capacity to conduct oversight. Again, we believe an oversight hearing needs to be scheduled this week.

In addition, we must take issue with the claim made in your letter to us that you have actively addressed the issue of royalty underpayments by oil companies to the taxpayer. In your response dated September 22, 2006, you state that H.R. 4761, which you moved through the Resources Committee, included language requiring companies holding leases which do not include market-based price thresholds for the suspension of royalty relief to either renegotiate or be subject to a fee.

However, you fail to state that this language is one small section of a much larger bill that would roll back 25 years of protections and open up all of our coastlines to oil and gas drilling. In fact, H.R. 4761 is one of the most anti-environmental bills this Congress has ever seen. While it narrowly passed the House, it has not been agreed to by the Senate and there is no indication that this bill will be enacted into law this year.

It is completely inappropriate to hold a legislative attempt to recoup some of the billions of dollars that the American people stand to lose from these leases hostage to a massive giveaway of public land to big oil companies. Far from being a "solution to this problem," as you termed it in your letter, your bill would have undone one massive giveaway to the oil industry only to replace it with another.

We would remind you that Mr. Markey offered an amendment, both during the Resources Committee consideration of the bill and on the House floor, that would have struck from the bill all of the language opening our coastlines to drilling and left in place only the provisions that you mention in your letter, addressing the problem of these leases. You voted against the Markey Amendment in Committee and on the House floor.

We would think that if you were truly serious about fixing this problem, you would not have twice voted against decoupling it from a rollback of longstanding coastal protections. We would further remind you that Arnold Schwarzenegger, the Republican governor of your state, has stated his clear opposition to H.R. 4761 due to its repeal of the moratorium on drilling off of California's coasts. In a letter to you dated June 26, 2006, Governor Schwarzenegger stated that the drilling provisions in the bill would have "significant adverse impacts on our ocean and coastal resources."

Furthermore, H.R. 4761 also included a provision that could have significantly decreased the royalties that big oil companies pay when drilling in shallow water. The version of H.R. 4761 that passed the Resources Committee, and which you supported, included language that could have allowed oil companies to pay the same lower royalty rate when drilling in shallow water that they pay in deep water. This provision, which the Congressional Budget Office estimated would cost the federal government \$500 million over 10 years, was only removed from your manager's amendment to the bill after Mr. Markey submitted an amendment that would have deleted it prior to floor consideration.

By contrast, the amendment that we offered to the Interior appropriations bill, which passed the House in an overwhelming bipartisan vote of 252-165, would provide a stand-alone solution to the problem of these leases. Our amendment provided a strong incentive for oil companies to renegotiate these leases, by preventing those who do not renegotiate from purchasing new leases from the federal government. If you are truly serious about correcting this problem and ensuring that big oil companies pay their fair share to drill on public land, we suggest that you use your position as Chairman to immediately call on the Bush Administration to drop its objections to our amendment, which you voted for on the House Floor.

Your leadership is needed to end the unfair giveaway of oil royalties owed to the taxpayer and to help stop corruption at the Department of the Interior.

We appreciate your attention to this request and eagerly await your reply.

Sincerely,



Edward J. Markey
Member of Congress



George Miller
Member of Congress



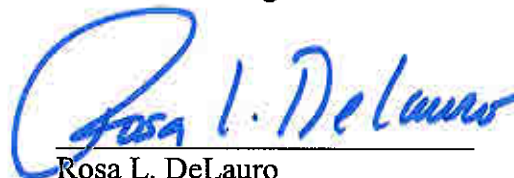
Maurice D. Hinchey
Member of Congress



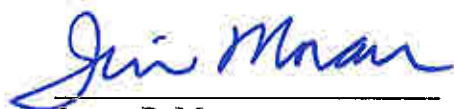
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